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One thing that must have attracted the attention of those that were in that Council was this: that whenever he spoke, or even when he was not speaking, there was always a gentle and pleasant smile on his face which made anybody feel that he had a friend in him. His loss to this Council is very great indeed. We appreciate this resolution; though this is common in many cases, almost in every case, still in the present case, there is a touch of personal feeling of sorrow for the loss of this good man."

Mr. PRESIDENT:—" I desire to associate myself with the sentiments expressed by the members of this House. We were colleagues in the old Council for a full term. He was a straightforward, patriotic and honest member of the House. Though there were very few members at that time in the Council who belonged to the Congress Swarajya party, he continued as a member of the Swarajya party for two or three years; and when the Congress asked him to resign his seat, he resigned it with pleasure. He was considered to be a very good lawyer on the criminal side and his knowledge was deep, exact and precise. His death is a great loss to the country and to the party to which he belonged.

" With these few words I would ask hon. Members of the House to pass the resolution standing."

The resolution was passed, the whole House standing.

II.—QUESTIONS AND ANSWERS.

STARRED QUESTIONS.

The Madras Government 3 per cent Loan, 1959.

* 1 *Q.*—Dr. Sir K. V. REDDI NAYUDU: Will the Hon. the Prime Minister be pleased to state—

(*a*) whether it is a fact that the recent issue of the Madras Provincial loan was underwritten; if so, who are the underwriters and what is the amount underwritten by each such underwriter;

(*b*) what is the underwriting commission agreed to be given;

(*c*) how much of the loan were the underwriters called upon to take up;

(*d*) what is the total amount for which applications were received;

(*e*) out of the applications received from the public, what is the amount applied for through the underwriters and what is the amount for which applications were received directly from the public; and

(*f*) whether the Reserve Bank advised the Madras Government that it would not be advisable to issue a 20-year loan simultaneously?

THE HON. SRI C. RAJAGOPALACHARIAR:—" (*a*) to (*e*) In accordance with the general practice by which loans raised by Provincial Governments in India are underwritten, the 3 per cent Madras loan, 1959, issued on the 21st June 1939 was underwritten under a scheme of underwriting prepared by the Reserve Bank. The list of underwriters includes leading banks and stock brokers in India, but as the underwriting arrangements are confidential the Government are unable to give any further details in answer to clauses (*a*) to (*e*) of the question.

" (*f*) The answer is in the negative. The terms of the loan were settled in consultation with the Reserve Bank and in accordance with its advice."

SRI B. BHEEMA RAO:—" Are the Government aware of the fact that certain sections of the Press are publishing statements that Government are borrowing loans for normal administration? "

THE HON. SRI C. RAJAGOPALACHARIAR:—" I am aware of these ignorant campaigns. The House is, however, aware that this loan as well as the previous loans have been borrowed exclusively for what are called remunerative purposes, that is, for capital expenditure on which there is a return to the Government and to serve as bankers to the agriculturists and other local bodies who have to borrow from us and from whom also on the loans given to them the Government derive revenue. So there is no truth whatsoever in the statements published in the Press or in the insinuations that ordinary normal expenditure has anything to do with these loans. We are not only borrowing but are also adding from other resources in order to add to the remunerative capital expenditure. For instance in 1938–39, we borrowed $1\frac{1}{2}$ crores but added 51 lakhs from other resources for the same remunerative purposes. In 1939–40, to the present loan we intend to add 63 odd lakhs for the same remunerative purposes."

SRI K. VENKATASWAMI NAYUDU:—" Is it not a fact that this is not the first time that the Government are raising a loan? "

THE HON. SRI C. RAJAGOPALACHARIAR:—" That also, Sir, is due to the ignorance of the previous practice. Before this present Government took up office, for many years continuously loans were taken by the Government. But in those days loans were taken from the Central Government's Provincial Loan Fund and not in the public market. Now we are bound to raise loans in the public market. As a matter of fact, before we took up office loans taken previously amounted to more than 15 crores."

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SRI K. MADHAVA MENON :—" Are the Government aware, Sir, that adverse comments are made on the financial policy of the Government on the ground that this loan was not over-subscribed as the two previous loans of the Government and that the underwriters were asked to subscribe 50 per cent of the loan as the public subscriptions amounted only to 50 per cent of the issue? "

SRI B. NARAYANASWAMI NAYUDU :—" That has not been contradicted."

THE HON. SRI C. RAJAGOPALACHARIAR :—" Should we contradict it? "

SRI B. NARAYANASWAMI NAYUDU :—" If you care."

THE HON. SRI C. RAJAGOPALACHARIAR :—" That too is based, if not on ignorance of facts as in the other case, on ignorance of the present situation in the world. At the time we floated this loan, the international position was going, as hon. Members are aware, through a particularly severe crisis. It was just at that moment that both Tienstin and Danzig came in and according to the opinion of international financial houses that situation upset the position with regard to finance generally in this world. As a matter of fact, I may mention that this Government are entitled to congratulation from the House as well as others in regard to the manner in which we successfully floated this loan in spite of that situation which suddenly cropped up. Just at the same time, the London County Council raised a loan and it would be interesting to hon. Members to know that the London County Council loan of 7½ million pounds at the end of June with a rate of interest of 3½ per cent, with an issue price of £96½ per cent—that is to say, less than ours—and payable at par in 1954–59—with a currency of 15 to 20 years—was, according to Press reports, subscribed only 6¼ per cent by the public and the underwriters were left with 93¾ per cent. We are not worse off than the London County Council, anyway. Then, Sir, the Australian Government raised a loan of six million pounds in June with a nominal rate of interest of 4 per cent, at an issue price of 98½ per cent just like ours. According to Press reports, 20 per cent of this loan was subscribed at the public issue and the balance of 80 per cent had to be taken up by the underwriters. That was the position, Sir, with regard to many loans floated in the market during the crisis. And ignorant comments can of course be made by newspapers for the benefit of ignorant readers. It is not possible for us to contradict them, because it is a very delicate thing to give the amounts taken by the underwriters, because they are confidential. The issue price has necessarily to be fixed

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upon receiving tenders from underwriters and on the advice of the Reserve Bank. Therefore these particular facts cannot reasonably be placed before the House. I have, as far as possible, stated the general position."

DR. SIR K. V. REDDI NAYUDU :—" May I ask wherefrom these figures with regard to the loans floated in England and Australia were obtained? Were they from the newspapers?"

THE HON. SRI C. RAJAGOPALACHARIAR :—" Yes, Sir, from financial newspapers which are in a position to give information."

DR. SIR K. V. REDDI NAYUDU :—" Does it not therefore show that those countries had no objection to give their loan figures to the public?"

THE HON. SRI C. RAJAGOPALACHARIAR :—" Those countries would certainly not give the details as to the amounts taken by the underwriters. What I have given is only the rough estimate made by the financial newspapers."

SRI N. R. SAMIAPPA MUDALIYAR :—" May I ask whether it is not a fact that the Government of India and the Government of the Central Provinces and Berar floated loans at the same time and their loans were fully subscribed?"

THE HON. SRI C. RAJAGOPALACHARIAR :—" The Central Provinces loan was for a much smaller amount and for a limited purpose. They fixed the period at ten years in view of the particular objects for which they raised the loan. The same Reserve Bank which advised the Central Provinces said that the purposes for which our loan was intended to be raised were different and therefore our loan should have a longer period. There was therefore a difference in the periods of the two loans and there was a difference in the amounts also and the objects for which they were raised. We wanted the loan for a longstanding purpose and we thought it would be unfair to distribute the interest burden over a few years only. We were advised that it would not be fair to throw the burden over the shoulders of the tax-payers for a few years and that the proper thing to do was to spread it over some more years. We followed that advice and spread the burden over 20 years."

SRI RAO BAHADUR N. R. SAMIAPPA MUDALIYAR :—" Is it not a fact that the two previous loans floated by the Government were over-subscribed within a few hours?"

THE HON. SRI C. RAJAGOPALACHARIAR :—" It was so, Sir. We were then very lucky, but the world has become very unlucky lately."

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Sri Rao Bahadur N. R. SAMIAPPA MUDALIYAR:—"May I ask what is the amount subscribed by the Government themselves?"

The Hon. Sri C. RAJAGOPALACHARIAR:—"Nil, Sir."

Sri B. NARAYANASWAMI NAYUDU:—"May I ask what the amount is for which applications were received directly from the public, and why the Government are not prepared to disclose that information?"

The Hon. Sri C. RAJAGOPALACHARIAR:—"It may be taken, Sir, since so much curiosity is shown in the matter, that it is fifty-fifty."

Sri Rao Bahadur N. R. SAMIAPPA MUDALIYAR:—"May I ask with regard to the previous two loans whether any agreement was entered into with the underwriters as in this case?"

The Hon. Sri C. RAJAGOPALACHARIAR:—"As I have already explained the hon. Member who has put the question knows the essential procedure of raising a loan in the public market. We have to fix the issue price for a face value of Rs. 100 with reference to the state of the market. It is the established practice of all people who have to raise loans under these conditions to get tenders as to how much well-known bankers are prepared to take. According to that procedure, underwriters were consulted confidentially by the Reserve Bank and the issue price was fixed upon their offers. It was in the same manner that the issue price was fixed for the last year's loan. For this loan also as for the last year's loan the underwriters had agreed. Only on the two previous occasions the loans were over-subscribed, but on account of the international situation 50 per cent of the last loan was taken up by the underwriters according to the agreement which is binding upon them."

Sri Rao Bahadur N. R. SAMIAPPA MUDALIYAR:—"May I ask whether the Hon. the Premier is aware that while the selling price of the two previous loans has not fallen, the selling price of the present loan has fallen and is less than its issue price?"

The Hon. Sri C. RAJAGOPALACHARIAR:—"I am quite aware of it. All persons acquainted with the money market can understand it. The loan repayable in 1952 sells a few annas more than the loan which is repayable in 1959. Our loan stands on as good a footing, I may claim, as the loans of other Provinces and even of the Government of India. Our scrip redeemable early in 1952 is sold at Rs. 98-7-0, and the second loan stands at Rs. 99-2-0. The present

loan stands at Rs. 98. This, Sir, considering the international situation is a very good certificate for the credit of the Province."

Scheme, if any, for the benefit of the tenants of ryotwari landlords.

* 2 *Q.*—Mr. J. A. SALDANHA: Will the Hon. the Minister for Revenue be pleased to refer to the answer given to my supplementary question to question No. 196 on 21st March 1939 and to state whether Government have framed any scheme for the amelioration of tenants of ryotwari landlords other than those in Malabar and South Kanara districts, and if so, what?

The Hon. Sri T. PRAKASAM:—"The answer is in the negative except that the scope of enquiry by the Malabar Tenancy Committee extends also to the Gudalur taluk of the Nilgiris district."

Capital cost of the thermal station at Vizagapatam and the cost of the Vizianagram Electricity Scheme.

* 3 *Q.*—Sri P. VEERABHADRASWAMI: Will the Hon. the Minister for Public Works be pleased to state—

(*a*) the total capital cost of the thermal station at Vizagapatam up to 1st April 1939; and

(*b*) what amount the Government have spent for the Vizianagram Electricity Scheme in the year 1938–39 and what amount they propose to spend in this year?

The Hon. Mr. YAKUB HASAN:—"(*a*) Rs. 17,72,287.

(*b*) Rs. 1,06,173 and Rs. 37,000 respectively."

Report on the fire havoc in Cinchona Plantations in Anamalais in March 1939.

* 4 *Q.*—Mr. J. A. SALDANHA: With reference to the answer given to my question No. 217 on 25th March 1939, will the Hon. the Minister for Agriculture and Rural Development be pleased to place before the House—

(*a*) the report of the officer appointed to enquire into the extent and causes of the fire in the Cinchona Plantations in the Anamalai hills on 7th March 1939; and

(*b*) the Government views thereon?

The Hon. Sri V. I. MUNISWAMI PILLAI:—"(*a*) & (*b*) The Government do not consider it necessary to place the report on the table of the House. The findings of the Collector on the origin and cause of the fire are as follows:—

(i) the fire originated in the reserve forest and spread westwards and to the south of the forest road;